

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by: Developer Abraham Won Hwan Lee and James Christopher Rudosky and Susan Watkins Rudosky

Address c/o 1585 Kapiolani Blvd., Suite 1533 Honolulu, Hawaii 96814

Project Name(*): "KINAU ESTATES"

Address: 1059 Kinau Street, Honolulu, Hawaii 96814

Registration No. 5944 (Conversion) Effective date: June 30, 2006 Expiration date: July 30, 2007

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

- PRELIMINARY (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report.
FINAL (white) The developer has legally created a condominium and has filed complete information with the Commission.
SUPPLEMENTARY (pink) This report updates information contained in the: Preliminary Public Report dated: Final Public Report dated: Supplementary Public Report dated:
And Supersedes all prior public reports. Must be read together with This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request. FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report. Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

The Developer has disclosed the following:

1. This is a **CONDOMINIUM PROJECT**, not a subdivision. It does not involve the sale of individual subdivided lots. The land area beneath and immediately appurtenant to each unit is designated as a **LIMITED COMMON ELEMENT** and not a legally subdivided lot. The dotted lines on the Condominium Map bounding the designated number of square feet in each limited common element land area are for illustrative purposes only and should not be construed to be the property lines of legally subdivided lots.
2. No warranties are given to the purchaser as to the construction, materials or workmanship of the Project. The Project is being sold in "as is, where is" condition.
3. A prospective purchaser of a Unit in the Project who wishes to improve or modify his or her residence or change its use, should be aware that he or she will be required to comply with the building codes, land use laws (LUO) and other county laws and ordinances. The LUO, for example, contains restrictions relating to the permissible use of the land, the number of dwelling units permitted, and the amount of total development permitted on the entire Project land area.

Before buying a Unit in the Project, a prospective purchaser, together with an architect or professional builder is urged to review the LUO and all other applicable County ordinances which may affect the Purchaser's use of his or her Unit and to review their intended plans with the appropriate County officials. The Developer disclaims all warranties with respect to Purchaser's being able to use the Unit for his or her intended purposes.

4. This public report does not constitute approval of the Project by the Real Estate Commission, or any other government agency, nor does it ensure that all applicable County codes, ordinances and subdivision requirements have been complied with.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer:

Abraham Won Hwan Lee,
James Christopher Rudosky & Susan Watkins Rudosky
Name*

Phone: (808) 942-4472
(Business)

1585 Kapiolani Blvd., Suite 1533
Business Address

Honolulu, Hawaii 96814

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

N/A

Real Estate
Broker*:

Abe Lee Realty, LLC
Name

Phone: (808) 942-4472
(Business)

1585 Kapiolani Blvd., Suite 1533
Business Address

Honolulu, Hawaii 96814

Escrow:

Integrity Escrow & Title Company, Inc.
Name

Phone: (808) 447-6001
(Business)

333 Queen Street, Suite A
Business Address

Honolulu, Hawaii 96813

General
Contractor*:

N/A
Name

Phone: _____
(Business)

Business Address

Condominium
Managing
Agent*:

Self-Managed by Association of Apartment Owners
Name

Phone: _____
(Business)

Business Address

Attorney for
Developer:

Jennifer A. Aquino, AAL ALC
Name

Phone: (808) 526-9400
(Business)

1188 Bishop Street, Suite 3009
Business Address

Honolulu, Hawaii 96813

* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests and other information relating to the condominium project.

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances Document No. 2006-021237
Book _____ Page _____
 Filed - Land Court Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

Amendment to the Declaration of Condominium Property Regime of Kinau Estates and Condominium Map No. 4160 dated May 10, 2006, recorded as Bureau of Conveyances Document No. 2006-102352.

B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 4160
 Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

Amendment to the Declaration of Condominium Property Regime of Kinau Estates and Condominium Map No. 4160 dated May 10, 2006, recorded as Bureau of Conveyances Document No. 2006-102352.

C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances Document No. 2006-021238
Book _____ Page _____
 Filed - Land Court Document No. _____

The Bylaws referred to above have been amended by the following instrument [state name of document, date and recording/filing information]:

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial house rules are usually adopted by the developer.

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules.

E. **Changes to Condominium Documents** Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. Apartment Owners: Minimum percentage of common interest which must vote for or give written consent to changes:

| | <u>Minimum Set by Law</u> | <u>This Condominium</u> |
|-----------------------------|-------------------------------|-------------------------|
| Declaration (and Condo Map) | 75%* | <u>75%</u> |
| Bylaws | 65% | <u>65%</u> |
| House Rules | — | <u>N/A</u> |

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. Developer:

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

See Exhibit "A".

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 1059 Kinau Street Tax Map Key (TMK) : (1) 2-4-13-14
Honolulu, Hawaii 96814

[] Address [X] TMK is expected to change because Individual CPR numbers will be assigned to
each unit.

Land Area: 9,000 [X] square feet [] acre(s) Zoning: A-2, Medium Density Apartment

Fee Owner:

Abraham Won Hwan Lee,
James Christopher Rudosky & Susan Watkins Rudosky
Name
1585 Kapiolani Blvd., Suite 1533
Address
Honolulu, Hawaii 96814

Lessor: n/a
Address

C. **Buildings and Other Improvements:**

- 1. New Building(s)
- Conversion of Existing Building(s)
- Both New Building(s) and Conversion

2. Number of Buildings: Four Floors Per Building: Unit 1059A - Two Floors; Units 1059, 1059B & 1059C - One Floor each

Exhibit "B" contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
- Other Wood, siding, glass, and asphalt shingle roofing

4. Uses Permitted by Zoning:

| | <u>No. of Apts.</u> | <u>Uses Permitted By Zoning</u> | |
|---|-------------------------|---|-----------------------------|
| <input checked="" type="checkbox"/> Residential | <u>4</u> | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Commercial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Mix Res/Comm | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Hotel | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Timeshare | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Ohana | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Industrial | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Agricultural | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Recreational | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input checked="" type="checkbox"/> Other* | _____ | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

* Other principal uses currently permitted by the zoning provisions of the Land Use Ordinance include boarding facilities, consulates, day-care facilities, duplexes, meeting facilities, public uses and structures, elementary, intermediate and high schools, telecommunication antennas and utility installations, Type A.

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

Yes No

5. Special Use Restrictions:
 The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments.
 Restrictions for this condominium project include but are not limited to:

Pets: _____

Number of Occupants: _____

Other: _____

There are no special restrictions.

6. Interior (fill in appropriate numbers):

Elevators: None Stairways: None Trash Chutes: None

| <u>Apt. Type</u> | <u>Quantity</u> | <u>BR/Bath</u> | <u>Net Living Area (sf)*</u> | <u>Net Other Area (sf)</u> | <u>(Identify)</u> |
|-------------------|-----------------|----------------|------------------------------|----------------------------|--------------------------------------|
| <u>Unit 1059</u> | <u>1</u> | <u>3/1</u> | <u>826</u> | <u>110 24</u> | <u>Carport Porch</u> |
| <u>Unit 1059A</u> | <u>1</u> | <u>3/2</u> | <u>1,194</u> | <u>403</u> | <u>Lanai, Deck & Storage</u> |
| <u>Unit 1059B</u> | <u>1</u> | <u>2/1</u> | <u>600</u> | <u>28</u> | <u>Porch</u> |
| <u>Unit 1059C</u> | <u>1</u> | <u>2/1</u> | <u>600</u> | <u>28</u> | <u>Porch</u> |
| _____ | _____ | _____ | _____ | _____ | _____ |

Total Apartments: 4

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.**

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit "B"

Permitted Alterations to Apartments:

See Exhibit "C"

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has _____ elected to provide the information in a published announcement or advertisement.

See Exhibit "L".

7. Parking Stalls:

Total Parking Stalls: 10

| | <u>Regular</u> | | <u>Compact</u> | | <u>Tandem</u> | | <u>TOTAL</u> |
|-----------------------------|----------------|-------------|----------------|-------------|----------------|--------------------------------------|--------------|
| | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | <u>Covered</u> | <u>Open</u> | |
| Assigned (for each unit) | _____ | _____ | _____ | _____ | <u>1059-2</u> | <u>1059A-4</u> 1059B-2 1059C-2 | <u>10</u> |
| Guest | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Unassigned | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Extra for Purchase | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Other: | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Total Covered & Open: | <u>0</u> | | <u>0</u> | | <u>10</u> | | <u>10</u> |

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit _____ contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming Pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: Common Element driveway

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations

- There are no violations. Violations will not be cured.
- Violations and cost to cure are listed below. Violations will be cured by _____
(Date)

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

In accordance with the report, dated August 25, 2004, prepared by Ed Resh, Architect, a copy of which is attached as Exhibit "D", the buildings are in good structural, mechanical and electrical condition consistent with their age.

11. Conformance to Present Zoning Code

a. No variances to zoning code have been granted.

Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but does not now conform to present zoning requirements.

| | <u>Conforming</u> | <u>Non-Conforming</u> | <u>Illegal</u> |
|------------|-------------------|-----------------------|----------------|
| Uses | X | _____ | _____ |
| Structures | _____ | X (spacing)* | _____ |
| Lot | _____ | X (size)* | _____ |

* See Letters dated January 11 & October 20, 2005 issued by Dept. Of Planning and Permitting attached as Exhibit "K".

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

described in Exhibit "E".

as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

There are no limited common elements in this project.

The limited common elements and the apartments which use them, as described in the Declaration, are:

described in Exhibit "F" *.

as follows:

* Note: Land areas referenced herein are not legally subdivided lots.

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

described in Exhibit _____.

as follows:

Each Unit has an undivided twenty-five percent (25%) interest in the common elements

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit " G " describes the encumbrances against the title contained in the title report dated January 31, 2006 and issued by Integrity Escrow & Title Company, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[X] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

| <u>Type of Lien</u> | <u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u> |
|---------------------|--|
| Mortgage | Buyer's interest may be terminated and Buyer may be entitled to a refund less any escrow cancellation fees. |

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

None, units will be sold "as is"

2. Appliances:

None, units will be sold "as is"

G. **Status of Construction and Date of Completion or Estimated Date of Completion:**

The Units were constructed in 1939 and 1941.

H. **Project Phases:**

The developer [] has [X] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

IV. CONDOMINIUM MANAGEMENT

A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

- not affiliated with the Developer. the Developer or the Developer's affiliate.
 self-managed by the Association of Apartment Owners Other: _____

B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your apartment and the apartment may be sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit "H" contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

- None Electricity (___ Common Elements only ___ Common Elements & Apartments)
 Gas (___ Common Elements only ___ Common Elements & Apartments)
 Water Sewer Television Cable
 Other _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

- Notice to Owner Occupants. See Exhibit "L"
- Specimen Sales Contract
Exhibit "I" contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated February 2, 2006
Exhibit "J" contains a summary of the pertinent provisions of the escrow agreement.
- Other _____
-

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sale contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

- A) The Developer delivers to the buyer a copy of:
- 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov
Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5944 filed with the Real Estate Commission on March 9, 2006.

Reproduction of Report. When reproduced, this report must be on:

YELLOW paper stock WHITE paper stock PINK paper stock

C. **Additional Information Not Covered Above**

Hazardous Materials

The developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

Lead Warning Statement

Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."

Real Estate License Disclosure.

Disclosure is hereby made that the one of the developers, Abraham Won Hwan Lee, holds an active real estate broker's license in the State of Hawaii and is the Principal Broker and owner of Abe Lee Realty, LLC, the real estate company handling the sale of the units.

Survey and Survey Map. Attached as Exhibit "M" is a copy of the perimeter survey dated September 2, 2004, prepared by Jaime F. Alimboyoguen, Licensed Professional Land Surveyor No. LS-8216. Disclosure is hereby made that the Survey discloses the following encroachments: 1) Item I - concrete slab on the subject Property extends into Parcels 6 and 13, and 2) Item L - tile column extends into Parcel 13 and into Kinau Street. No encroachment agreement(s) exist with the owners of the adjacent properties allowing the continued existence of the encroachments on their properties. Disclosure is hereby made that the owner(s) of the adjacent properties may require at anytime that the encroachment(s) be removed from their properties, or if the encroachments are destroyed, replacement may not be allowed on the adjacent properties.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

Abraham Won Hwan Lee, James Christopher Rudosky & Susan Watson Rudosky

Printed Name of Developer

By: Abraham Won Hwan Lee 1-31-06
 Duly Authorized Signatory* Date

Abraham Won Hwan Lee, Developer

Printed Name & Title of Person Signing Above

By: James Christopher Rudosky 1-23-06
 Duly Authorized Signatory* Date

James Christopher Rudosky, Developer

Printed Name & Title of Person Signing Above

By: Susan Watkins Rudosky 1-23-06
 Duly Authorized Signatory* Date

Susan Watkins Rudosky, Developer

Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

****Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.***

DEVELOPER'S RESERVED RIGHTS

Developer has reserved the following rights to change the Declaration, Condominium Map, or Bylaws:

Section O of the Declaration provides that Developer may amend the Declaration, the By-Laws, and/or the Condominium Map to effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by any governmental agency, provided, however, that no amendment made by the Developer as provided for in Section O of the Declaration, that would change the common interest of a Unit, or materially change the design or size of a Unit, or the limited common elements appurtenant thereto, shall be made by the Developer without the consent of all persons having an interest in such Unit.

At anytime prior to the first recording in the Bureau of Conveyances, State of Hawaii, of a conveyance or transfer of a Unit in the Project to any person other than the Developer, the Developer may amend the Declaration, and any of the Exhibits hereto, the By-Laws, and/or the Condominium Map in any manner, without the consent of any purchaser or any other party.

Section S of the Declaration provides that the owner of a Unit in the Project, including the Developer if an owner of a Unit, shall have the right, with the consent of any mortgagee affecting said Unit, to remove, redesign, improve, renovate, make additions to, enlarge, replace with a new Unit, or restore his or her Unit on the limited common elements appurtenant to such Unit at such Unit owner's sole option at any time and from time to time, without the consent of the Association, the other Unit owners, any lien holder thereof, or anyone with an interest in the Project, and pursuant to plans and conditions set forth in Section S of the Declaration.

The Developer has reserved the right at any time prior to the closing of the last sale of a unit in the Project owned by the Developer to: (i) to grant easements over, across, and under the common elements, including, without limitation, easements for utilities, sanitary and storm sewers, cable television, walkways, roadways and rights-of-way, and (ii) to relocate or realign any existing easements and rights-of-way over, across, and under the common elements, including, without limitation, any existing utilities, sanitary and sewer lines, and cable television lines, and connect the same, over, across, and under the common elements, provided that such easements, relocations, and connections of lines shall not materially impair or interfere with the use of any Unit, as set forth in Section T of the Declaration.

Exhibit "A"

BOUNDARIES OF APARTMENTS

The Project consists of four (4) separate, detached buildings, which are designated on the Condominium Map as "Unit 1059", "Unit 1059A", "Unit 1059B", and "Unit 1059C", and are sometimes referred to herein collectively as "Units" or singularly as "Unit". The term "Unit" as used herein shall have the same meaning as the term "Apartment" in the Condominium Property Act, as the same may be amended from time to time. When facing the property from Kinau Street, Unit 1059 is the first building on the right side of the driveway, Unit 1059A is on the right side of the driveway and located behind Unit 1059, and Units 1059B and 1059C are located at the rear of the property with Unit 1059B on the right and Unit 1059C on the left, when facing the two Units from the driveway.

1. Description of the Units. Four (4) separate and distinct freehold estates bounded by and including the decorated or finished surfaces of the exterior of the perimeter walls, by the exterior surfaces of the respective roofs thereof, and inclusive of the floor and ceiling of each of the dwellings in the Project.

(a) Unit 1059 contains one (1) story, without a basement, in which there are three (3) Bedrooms, one (1) Bath, a Living room, a Kitchen, and an attached Carport. Unit 1059 contains a net living area of approximately 826 square feet. The Porch contains approximately 24 square feet and the Carport, with two (2) tandem parking stalls, contains approximately 110 square feet. Unit 1059 is constructed primarily of wood, siding, and glass, with asphalt shingle roofing.

(b) Unit 1059A contains two (2) stories, without a basement, in which there is a Living room, a Kitchen, an Entry, one (1) Bedroom, one (1) Bath, Storage and a Lanai on the first floor. The second floor has a Recreation room, a Bar, two (2) Bedrooms, one (1) Bath, and a Deck. One (1) exterior staircase leads to the second floor. Unit 1059A contains a net living area of approximately 1,194 square feet (570 square feet on the first floor and 624 square feet on the second floor). The Lanai area on the first story contains approximately 343 square feet and the Storage area on the first story contains approximately 16 square feet. The Deck on the second floor contains approximately 44 square feet. Unit 1059A is constructed primarily of wood, siding, and glass, with asphalt shingle roofing.

(c) Unit 1059B contains one (1) story, without a basement, in which there is a Living area, a Kitchen, two (2) Bedrooms, one (1) Bath, and a Porch. Unit 1059B contains a net living area of approximately 600 square feet. The Porch contains approximately 28 square feet. Unit 1059B is constructed primarily of wood, siding, and glass, with asphalt shingle roofing.

(d) Unit 1059C contains one (1) story, without a basement, in which there is a Living area, a Kitchen, two (2) Bedrooms, one (1) Bath, and a Porch. Unit 1059C contains a net living area of approximately 600 square feet. The Porch contains approximately 28 square feet. Unit 1059C is constructed primarily of wood, siding, and glass, with asphalt shingle roofing.

Each Unit shall also include all pipes, wires, conduits, and other utility and service lines contained wholly within such Unit and which are utilized exclusively by and serve only such Unit.

PERMITTED ALTERATIONS TO APARTMENTS

No work shall be done to the Units, the limited common elements appurtenant thereto, or any other part of the Project, by any owner of a Unit or any other person, which could jeopardize the soundness or safety of the Project, reduce the value thereof, impair any easement or hereditament, detract from the appearance of the Project, interfere with or deprive any nonconsenting owner of the use or enjoyment of any part of the Project, or directly affect any nonconsenting owner in any unreasonable manner, all as determined by the Board, without in every such case first obtaining the consent of the owners of the other Unit, which consent shall not be unreasonably withheld. Except as otherwise provided by law, all other additions to or alterations of any Unit or its appurtenant limited common elements by the owner of such Unit shall be permitted without restriction, provided that the owner or other person making such additions or alterations shall comply strictly with all applicable laws, ordinances, and regulations of any governmental entity, and shall also obtain all necessary permits, at such owner or person's sole expense.

In addition to the foregoing limitations, no owner shall also be allowed, without the express written consent of the other owners, to construct any addition or alteration which would cause his or her Unit to exceed the proportionate share of the maximum allowable floor area and/or buildable area for the lot. Said proportionate share shall be equal to the maximum floor area for the lot multiplied by the percentage of common interest in the Project appurtenant to such Unit.

**Ed Resh
Architect
1400 Kapiolani Blvd Suite B48**

August 25, 2004

TO: Real Estate Commission
State of Hawaii

RE: Kinau Estates
1059 Kinau Street
TMK: 1-2-4-13-14

I have inspected the structures of the Kinau Estates Condominium Project. Without making any invasive examination of covered components, my observations during this inspection are:

1. The buildings appear to be in good structural, mechanical, and electrical condition commensurate with their age.

Yours Truly,



Signature

Ed Resh

Registered Professional
Architect NO. 3239

EXHIBIT "D"

COMMON ELEMENTS

Section A.2 of the Declaration defines the common elements of the Project as consisting of all portions of the Project except the Units above described, and shall specifically include, but not be limited to:

- (a) The Land in fee simple.
- (b) That certain Common Element concrete driveway consisting of approximately 1,216 square feet, more or less, as shown on said Condominium Map, providing access to the Units from Kinau Street.
- (c) All pipes, wires, conduits, and other utility and service lines which are utilized for or serve all the Units.
- (d) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.

LIMITED COMMON ELEMENTS

Certain parts of the common elements are hereby set aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided herein. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of the Units as follows:

(a) That certain 2,400 square feet, more or less, of the real property of the Project which includes the real property upon which Unit 1059 is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit 1059. Two (2) tandem parking spaces located within the Carport in the limited common element area appurtenant to Unit 1059 are reserved for the exclusive use of Unit 1059.

(b) That certain 2,033 square feet, more or less, of real property of the Project which includes the real property upon which Unit 1059A is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit 1059A. Two (2) sets of two (2) tandem parking spaces (for a total of four (4) parking spaces) are located within the limited common element area appurtenant to Unit 1059A, and are reserved for the exclusive use of Unit 1059A.

(c) That certain 1,302 square feet, more or less, of real property of the Project which includes the real property upon which Unit 1059B is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit 1059B.

(d) That certain 1,247 square feet, more or less, of real property of the Project which includes the real property upon which Unit 1059C is situated, as shown on said Condominium Map, shall constitute a limited common element appurtenant to and for the exclusive use of Unit 1059C.

(e) That certain 802 square feet, more or less, of real property designated on said Condominium Map as 'Limited Common Element for Units 1059B and 1059C', and containing Parking space numbers 1, 2, 3 and 4, shall constitute a limited common element appurtenant to and for the exclusive use of Units 1059B and 1059C as provided for herein. Tandem Parking space numbers 1 and 2 shall constitute limited common elements appurtenant to and for the exclusive use of Unit 1059C. Tandem Parking space numbers 3 and 4 shall constitute limited common elements appurtenant to and for the exclusive use of Unit 1059B.

(f) One mailbox shall be appurtenant to and for the exclusive use of each Unit in the Project.

(g) Each Unit is separately metered for utilities such as water, sewer and electrical. All pipes, wires, conduits, and other utility and service lines not contained within a Unit but used by and servicing one or more Units, but not all the Units, shall be a limited common element appurtenant to and for the exclusive use of the Unit or Units using and serviced exclusively by such pipes, wires, conduits, and other utility and service lines.

PRELIMINARY REPORT
(no liability)

SCHEDULE B
(exceptions)

Preliminary Report No. 501308

1. TAXES: Tax Map Key: (1) 2-4-13-14

Taxes for the Fiscal year 2005 – 2006 are a lien; payable as follows:

| | | |
|------------------|------------|--------|
| 1st Installment: | \$1,492.69 | (Paid) |
| 2nd Installment: | \$1,492.69 | (Open) |

Property Address: 1059 Kinau Street #A, Honolulu, Hawaii 96814

2. Reservation in favor of the State of Hawaii of all mineral and metallic mines.

3. MORTGAGE

Mortgagor: ABRAHAM WON HWAN LEE, husband of Sally K. Lee, and JAMES CHRISTOPHER RUDOSKY and SUSAN WATKINS RUDOSKY, husband and wife

Mortgagee: MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC., organized and existing under the laws of Delaware

Dated: October 14, 2004

Recorded: Document No. 2004-213687

Amount: \$650,000.00

4. MORTGAGE

Mortgagor: ABRAHAM WON HWAN LEE, husband of Sally K. Lee, and JAMES CHRISTOPHER RUDOSKY and SUSAN WATKINS RUDOSKY, husband and wife

Mortgagee: MORTGAGE ELECTRONIC REGISTRATIN SYSTEMS, INC., organized and existing under the laws of Delaware

Dated: October 14, 2004

Recorded: Document No. 2004-213688

Amount: \$30,000.00

5. Structure position discrepancies as shown on the survey map prepared by Jaime F. Alimboyoguen, Land Surveyor, dated August 20, 2004.

6. Encroachment(s) as shown on the survey map prepared by Jaime F. Alimboyoguen, Land Surveyor, dated August 20, 2004.

EXHIBIT "G"

PRELIMINARY REPORT
(no liability)

SCHEDULE B
(exceptions)

Preliminary Report No. 501308

7. Any unrecorded leases and matters arising from or affecting the same.
8. Condominium Map No. 4160.
9. Terms and provisions, including the failure to comply with conditions, covenants, restrictions or reservations, but omitting any covenants or restrictions, if any, based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except that said covenant or restriction is permitted by applicable law in that certain Declaration of Condominium Property Regime of Kinau Estates, dated January 31, 2006, recorded as Document No. 2006-021237.
10. Terms and provisions, including the failure to comply with conditions, covenants, restrictions or reservations, contained in that certain By-Laws of the Association of Apartment Owners of Kinau Estates, dated January 31, 2006, recorded as Document No. 2006-021238.

EXHIBIT H

**ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS**

Estimate of Initial Maintenance Fees:

Apartment

Monthly Fee x 12 months = Yearly Total

0.00 *

* NOTE: All utilities are separately metered or otherwise charged. No maintenance fees are currently proposed for repair and/or replacement of the common element driveway, which is in good condition.

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

- Air Conditioning
- Electricity
 - [] common elements only
 - [] common elements and apartments
- Elevator
- Gas
 - [] common elements only
 - [] common elements and apartments
- Refuse Collection
- Telephone
- Water and Sewer

Maintenance, Repairs and Supplies

- Building
- Grounds

Management

- Management Fee
- Payroll and Payroll Taxes
- Office Expenses

Insurance

Reserves(*)

Taxes and Government Assessments

Audit Fees

Other

TOTAL

\$ 0.00

I, ABRAHAM WON HWAN LEE, as Developer, for the "Kinau Estates" condominium project, hereby certify that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

Abraham Won Hwan Lee
Signature

1-31-06
Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT "H", CONTINUED

DEVELOPER'S EXPLANATION FOR "RESERVES"

The Developer has not conducted a reserve study in accordance with Section 514A-83.6, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 5, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

End of Exhibit "H"

SUMMARY OF SALES CONTRACT

The specimen Sales Contract (Deposit, Receipt, Offer and Acceptance and Addendum) contains, among other things, the following provisions:

1. Risk of Loss and Insurance. Risk of loss passes to Buyer upon closing or possession, whichever occurs sooner.
2. Time is of the Essence/Default. Time is of the essence of the obligations of Buyer under this Agreement. In the event Buyer fails to perform Buyer's obligations under the Sales Contract, Seller may (a) bring an action for damages for breach of contract, or (b) retain the initial deposit and all additional deposits provided by Buyer as liquidated damages, and the Buyer shall be responsible for any costs incurred in accordance with the Sales Contract.
3. Conversion of Existing Building; No Warranties. Buyer is aware, agrees and affirms that the Project consists of a conversion of existing buildings constructed in 1939 and 1941. In accordance with the letters dated January 11 and October 20, 2005, issued by the City and County of Honolulu, State of Hawaii, the Units meet all applicable code requirements at the time of construction and no variances or special permits were granted. It is expressly understood and agreed by and between Seller and Buyer that SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT(S), OR CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.
4. Existing "As Is" Condition. Buyer agrees the Unit is being purchased in its "AS IS" condition, without any warranties or representations, expressed or implied. Buyer acknowledges that Buyer will be given an opportunity to inspect the Unit and by closing on the sale of the Unit, Buyer accepts the Unit in its "AS IS" condition as provided for herein.
5. Mediation And Arbitration. If any dispute or claim in law or equity arises out of this Agreement, and Buyer and Seller are unable to resolve the dispute themselves, Buyer and Seller agree in good faith to attempt to settle such dispute or claim by mediation under the Commercial Mediation rules of the American Arbitration Association. If such mediation is not successful in resolving such dispute or claim, then such dispute or claim shall be decided by a neutral binding arbitration before a single arbitrator in accordance with the Commercial Arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award reasonable attorney's fees and costs to the prevailing party.
6. Nonconformities. Buyer is aware that the Lot, consisting of 9,000 square feet, is considered nonconforming and one dwelling is located within the 5-foot side yard setback area.

SUMMARY OF ESCROW AGREEMENT

An escrow agreement (hereinafter called the “Escrow Agreement”) detailing the manner in which purchasers’ funds are to be handled, has been executed and a copy thereof has been filed with the Commission. The Escrow Agent is INTEGRITY ESCROW & TITLE COMPANY, INC. (hereinafter referred to as “Escrow”). The escrow agreement, among other things, contains the following provisions:

1. Delivery of Sales Contracts. As and when Seller shall enter into a contract for the sale of an Apartment (each “Sales Contract”), Seller shall deliver a fully-executed copy of such Sales Contract to Escrow. Each Sales Contract shall contain the correct names and addresses of the Purchaser(s) of such Apartment, shall require that all payments to be made thereunder shall be made to Escrow, and shall be accompanied by the initial deposit required thereunder.

2. Return of Purchaser’s Funds and Documents. Unless otherwise provided in the agreement, a purchaser shall be entitled to a return of such purchaser’s funds and Escrow shall pay such funds to such purchaser, together with any interest which may have accrued to the credit of such purchaser, if any one of the following has occurred:
 - i. Seller and purchaser shall have requested Escrow in writing to return to purchaser the funds of purchaser held by Escrow; or
 - ii. Seller shall have notified Escrow of Seller’s exercise fo the option to cancel or rescind the sales contract pursuant to any right of cancellation or rescission provided therein or otherwise available to Seller; or
 - iii. The purchaser shall have notified Escrow of purchaser’s exercise of purchaser’s right to cancel the sales contract pursuant to Section 514A-62, HRS; or
 - iv. The purchaser shall have notified Escrow of purchaser’s exercise of purchaser’s right to rescind the sales contract pursuant to Section 514A-63, HRS.

In any of the foregoing events, Escrow shall, upon the occurrence of the event described in (i) or (ii), above or upon receipt of written request for a refund from the purchaser upon the occurrence of an event described in (iii) or (iv), above, unless the purchaser has waived or has been deemed to have waived the right to a refund, pay said funds to purchaser (less a cancellation fee commensurate with the work done b Escrow prior to such cancellation, up to a maximum of \$250.00); provided, however, that no refund shall be made to a purchaser at purchaser’s request prior to receipt by Seller of written notice from Escrow of Escrow’ intent to make such refund.

3. Purchaser’s Default. If such Purchaser fails to make such payment to Escrow on or before the due date thereof or if such Purchaser fails to perform in any manner that is being handled by Escrow, Escrow shall promptly notify Seller of any such failure on the part of such purchaser. If Seller subsequently certifies in writing to Escrow that Seller has terminated the sales contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to such purchaser, Escrow shall thereafter treat all funds of such purchaser paid on account of such purchaser’s sales contract as funds of Seller, and not as funds of such purchaser. Thereafter, such funds shall be free of the escrow established by this Agreement

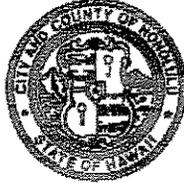
and shall be held by Escrow for the account of Seller. Upon written request by Seller, Escrow shall pay such sums to Seller, less any escrow cancellation fee. Escrow shall thereupon be released from any further duties or liability hereunder to Seller with respect to such funds and such Purchaser.

4. Interest on Escrow Funds. Unless otherwise provided in the Agreement, any interest earned on funds deposited to escrow under this Agreement shall accrue as specified in the sales contract. If the sales contract does not specify to whom interest is to accrue, any interest earned on funds deposited in escrow under this Agreement shall accrue as set forth in the Agreement. Escrow shall not be liable to either Seller or any purchaser for loss or diminution in funds invested in accordance with instructions given to Escrow. If the sales contract is entered into pursuant to a Final Public Report, any interest earned on funds deposited in escrow under the Agreement shall accrue to the credit of Seller; except that, if Escrow is requested to establish a separate account for a purchaser, Escrow shall do so, the purchaser shall furnish Escrow purchaser's social security or federal tax identification number, the purchaser shall pay Escrow a fee of Twenty-Five Dollars (\$25.00) for each such separate account and any interest earned on funds deposited in such account shall accrue to the credit of such purchaser.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
PHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. WEB SITE: www.honolulu.gov • CITY WEB SITE: www.honolulu.gov

MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
ACTING DIRECTOR

DAVID K. TANOUÉ
DEPUTY DIRECTOR

2004/ELOG-1739(RLK)

January 11, 2005

Mr. Adam Lee
Abe Lee Realty
4014 Palua Place
Honolulu, Hawaii 96816

Dear Mr. Lee:

Subject: Condominium Conversion Project
1059, 1059-A, B & C Kinau Street
Tax Map Key: 2-4-13: 14

This is in response to your letter dated September 16, 2004 requesting verification that the structures on the above-mentioned property met all applicable code requirements at the time of construction.

Investigation revealed that the three one-story single-family detached dwellings (1059, 1059-B and C) and one two-story single-family detached dwelling (1059-A) with six all-weather-surface off-street parking spaces met all applicable code requirements when they were constructed in 1939 and 1941 on this 9,000-square foot A-2 Medium Density Apartment zoned lot.

Investigation also revealed the following:

- 1) The number of all-weather-surface off-street parking spaces (6) is considered nonconforming.
- 2) The right rear dwelling structure is within the 5-foot side yard setback and considered nonconforming (spacing).
- 3) The zoning lot (9,000 square feet) is considered nonconforming.

EXHIBIT "K"

Mr. Adam Lee
Abe Lee Realty
Page 2
January 11, 2005

- 4) The two-story single-family detached dwelling (1059-A) has been converted into a two-family detached dwelling without obtaining a building permit; a violation of Chapter 18, Section 18-3.1 (permits required).

No variances or special permits were granted to allow deviations from any applicable codes.

For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures as a result of the adoption or amendment of any ordinances or codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-family Code Enforcement Branch at 527-6341.

Sincerely yours,

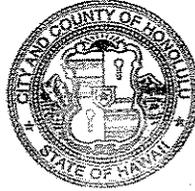


for HENRY ENG, FAICP
Acting Director of Planning
and Permitting

HE:ft
Doc 342874

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. INTERNET: www.honolulu.gov • INTERNET: www.honolulu.gov



MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUÉ
DEPUTY DIRECTOR

2005/ELOG-1289 (RLK)

October 20, 2005

Mr. Adam Lee
P. O. Box 10916
Honolulu, Hawaii 96816

Dear Mr. Lee:

Re: Condominium Conversion Project
1059, 1059-A, B and C Kinau Street
Tax Map Key: 2-4-013: 014

This is in reference to the deficiency mentioned in our letter No. 2004/ELOG-1739 (RLK), dated January 11, 2005.

An inspection on October 6, 2005 revealed that the deficiency has been corrected. The two-story single-family detached dwelling (1059-A) that was converted into a two-family dwelling has been converted back to a single-family dwelling by the removal of the upstairs kitchen.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,

A handwritten signature in black ink, appearing to read "Henry Eng", is written over a horizontal line.

Henry Eng, FAICP, Director
Department of Planning and Permitting

KINAU ESTATES

This is an owner occupant notice for "KINAU ESTATES" which is located at 1059 KINAU STREET, HONOLULU, HI 96814, TMK: 1-2-4-13-14 These units (*) shall initially be offered for a 30 day period after the first publication of this announcement to only prospective owner occupants on the reservation list, who will use the residential units as their principal residences for a period of not less than 365 consecutive days. There will be a total of (4) fee simple detached units for residential use. Pursuant to Hawaii Revised Statutes Section 514A-102, the units shall be offered for sale upon the issuance of an effective date of the first public report, which is DATE OF FINAL PUBLIC REPORT. None of the (4) units are 'accessible and adaptable' as those terms are defined and interpreted in 24 C.F.R. section 100 et. seq. for persons with disabilities. The units will be offered first to tenants occupying the units immediately prior to the conversion who submit the owner-occupant affidavit and earnest money deposit pursuant to Section 514A-105(a), Hawaii Revised Statutes. Any interested person may contact the Project Realtor from 9:00 am. to 3:00 p.m. daily for an owner occupant affidavit and be placed on a reservation list to obtain further project information. Reservations are being taken now at the Realtor's office. The reservation list shall be compiled for a period of 30 days in chronological order beginning with the date of the first announcement dated _____. A refundable \$1,000 deposit is required with a reservation.

Adam Lee (Realtor - Associate)
Abe Lee Realty
1585 Kapiolani Blvd. Ste. 1533
Honolulu, HI 96814
PHONE: 630-6103 FAX: 942-4473

EXHIBIT "L"

JAIME F. ALIMBOYOGUEN, LLC
Licensed Professional Land Surveyor
Hawaii License Number LS-8216

92-324 Kewai Place
Kapolei, HI 96707

Tel: 672-8589
Fax: 672-9515

September 2, 2004

RE: Tax Map Key: 2-4-13:14
Address: 1059 Kinau Street, Honolulu
Seller: Edna & David Wong Trust
Trustee - Nelson Lee

To Whom It May Concern:

This is to certify that on August 20, 2004, a survey crew under my supervision and direction surveyed and re-staked the subject lot and located improvements along the perimeter.

The following is a list of improvements along with their respective positions:

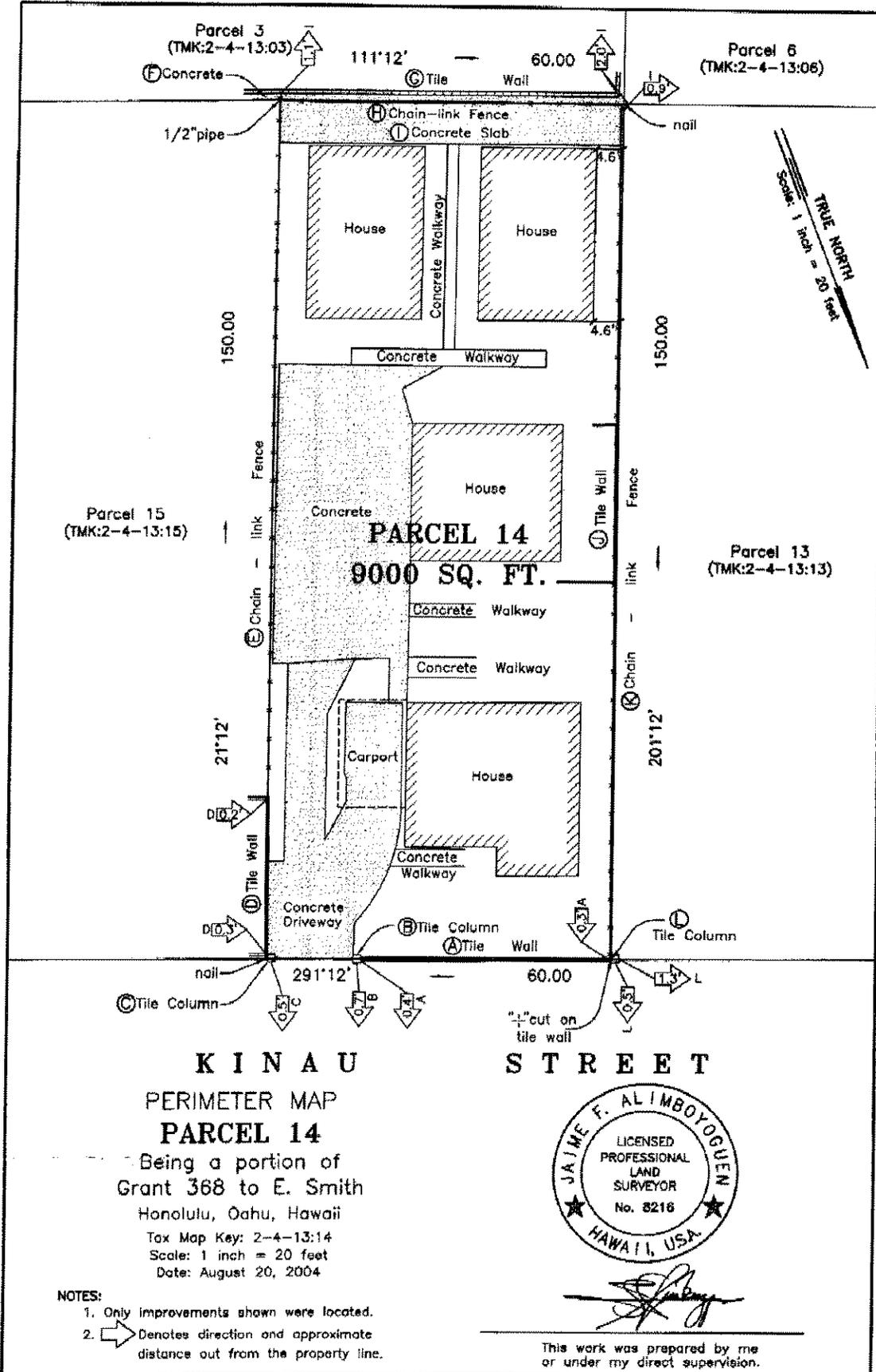
- A. Tile wall on subject Parcel 14 extends from 0.3 ft. to 0.4 ft. into Kinau Street.
- B. Tile column on subject Parcel 14 extends approximately 0.7 ft. into Kinau Street.
- C. Tile column on subject Parcel 14 extends approximately 0.5 ft. into Kinau Street.
- D. Tile wall on Parcel 15 extends from 0.2 ft. to 0.3 ft. into subject Parcel 14.
- E. Chain-link fence is on Parcel 15.
- F. Concrete is on Parcel 3.
- G. Tile wall is on Parcel 3.
- H. Chain-link fence is on subject Parcel 14.
- I. Concrete slab on subject Parcel 14 extends from 1.1 ft. to 2.0 ft. into Parcel 3 and approximately 0.9 ft. into Parcels 6 and 13.
- J. Tile wall is on subject Parcel 14.
- K. Chain-link fence is on subject Parcel 14.
- L. Tile column extends approximately 1.3 ft. into Parcel 13 and 0.5 ft. into Kinau Street. Said tile column is connected with tile wall labeled A.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,


Jaime F. Alimboyoguen

EXHIBIT "M"



K I N A U
S T R E E T
 PERIMETER MAP
PARCEL 14
 Being a portion of
 Grant 368 to E. Smith
 Honolulu, Oahu, Hawaii
 Tax Map Key: 2-4-13:14
 Scale: 1 inch = 20 feet
 Date: August 20, 2004



Jaime F. Alimboyoguen

- NOTES:
1. Only improvements shown were located.
 2. ➔ Denotes direction and approximate distance out from the property line.

This work was prepared by me or under my direct supervision.